

The European Patent Reform – The Preparatory Committee of the UPC, its “Expert Panel” and their “support” of SMEs

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Office translation of the original German language document, the article reflects the personal opinion of the author.

As is well known, the political side has always presented as a core motive of the European patent reform to facilitate access to patents and their enforcement in court for small and medium-sized enterprises (“SME”) in particular. As repeatedly pointed out, these were merely words to help the reform through the Parliamentary procedure. No practically effective measures to support SMEs have been implemented to date. Documents made available under the German Federal Freedom of Information Act reveal the sometimes astonishing views expressed by members of the Preparatory Committee of the Unified Patent Court and its so-called “Expert Panel” in the discussion of measures for the support of SMEs. Especially the representatives of major industry and their legal advisers on the “Expert Panel” have campaigned against effective measures in favour of SMEs and have prevailed on several aspects.

I. The European patent reform and the allegedly intended support of SMEs

Anyone who remembers the political motivation originally cited for the European patent reform will not be able to ignore the EU Commission’s 2007 paper entitled “Enhancing the patent system in Europe”, which states:¹

“Patent litigation in the EU is unnecessarily costly for all parties involved. This is not as severe a problem for big business as for SMEs and individual inventors, for whom the costs of litigation can be prohibitive. Moreover, studies in the US and the EU have demonstrated that SMEs face a bigger risk of being involved in litigation. Potential litigation costs can substantially increase the risk associated with patenting R&D and thus also with innovation activity as such. Therefore, our patent strategy should involve a reduction of litigation costs for SMEs.”

The author of this article has repeatedly shown that in reality, the promotion of SMEs and the reduction of litigation costs does not play too much of a role.² In addition to the emphatic indifference with which the rapporteurs of the European Parliament expressed their opinion on this ques-

tion after the conclusion of the legislative procedure,³ the composition of the so-called “Expert Panel” of the Preparatory Committee of the Unified Patent Court (“PC-UPC”) and the correspondence of the author with its chairman, *Alexander Ramsay*, was also described, inter alia, on the question why the said “Panel” includes several representatives of major industry but none of SMEs, whose voice one would expect to have a particular importance, bearing in mind the situation described above.⁴ The question “*Is it also the position of the PC [Preparatory Committee] that SMEs would be the main beneficiaries of a UP/UPC system?*” was not even answered by Mr *Ramsay*.⁵ Knowledge of these articles is afterwards assumed.

II. The PC-UPC and the “Expert Panel”

As is well known, the PC-UPC is responsible for preparing the start of work of the Unified Patent Court (“UPC”). There is no legal basis for its activities.⁶

1. The working group “Legal Framework” of the PC-UPC and its subgroups

The PC-UPC consists of five working groups,⁷ each chaired by a “coordinator”, namely the groups “Legal Framework”, “Financial Aspects”, “HR & Training”, “IT” and “Facilities”. At least the “Legal Framework” Working Group has set up further subgroups (“teams”) dealing with specific topics.

Notwithstanding the requirements for the PC-UPC to be as transparent as possible in its work,⁸ information on the composition and activities of these working groups and subgroups was not made public. In March 2018, the author of this article therefore asked the German Federal Ministry of Justice and Consumer Protection (“BMJV”), based on the German Federal Freedom of Information Act (“IFG”),⁹

³ *Stjerna*, The European Patent Reform – The rapporteurs and the cost situation, accessible at www.stjerna.de/bekostensituation/?lang=en.

⁴ *Stjerna*, The European Patent Reform – The expert teams of the Preparatory Committee, accessible at www.stjerna.de/expert-teams/?lang=en.

⁵ *Stjerna*, SMEs (fn. 2), S. 8 f., section VII., *id.*, Expert teams (fn. 4), p. 3 f., section III.

⁶ *Stjerna*, Expert teams (fn. 4), p. 1, section I.

⁷ *Stjerna*, Expert teams (fn. 4), p. 1, section I.

⁸ Cf. UPC Communication Plan, accessible at bit.ly/3bkAIXb.

⁹ On the procedure and earlier IFG requests to the BMJV cf. *Stjerna*, The European Patent Reform – The dedication of the German Ministry of Justice to the UPC, accessible at www.stjerna.de/bmjv-upc/?lang=en, as well as *id.*, The German

¹ Document COM (2007) 165 final, accessible at bit.ly/2VOhGdf, p. 7, “costs”.

² Cf. *Stjerna*, The European Patent Reform – A poisoned gift for SMEs, accessible at www.stjerna.de/smes/?lang=en.

among other things, which subgroups had been formed to the working group “Legal Framework” and which individuals belong to these groups. A document was made available naming the members of the working groups of the PC-UPC on 21/06/2013. A further document was provided which identifies seven subgroups of the “Legal Framework” working group and their members, also on 21/06/2013. The fields of activity of these subgroups were therefore as follows:¹⁰

- Team 1: Rules of Procedure of the Court,
- Team 2: Rules on the Registry and the Registrar’s Service,
- Team 3: Rules on Legal Aid,
- Team 4: Rules on Court Fees,
- Team 5: Rules of Procedure of the Committees,
- Team 6: Rules on Mediation and Arbitration,
- Team 7: Rules on the Litigation certificate for Patent Attorneys.

Official information made available on the basis of the IFG is available for inspection by anyone; interested persons can access the relevant documents at www.stjerna.de. The grey redactions in the documents were made by the author and refer to the contact details of several officials.

2. The “Expert Panel” of the PC-UPC

Pursuant to Art. 9 no. 1 of the “Organisational Rules” of the PC-UPC, the latter may set up so-called “teams of experts” for providing advice to itself or its subdivisions.¹¹ It has made use of this right, inter alia, in the form of the so-called “Expert Panel”, the establishment of which was announced on the UPC website on 16/09/2014.¹² The following persons from patent practice are members of the “Expert Panel”, which is to advise the chairman and the coordinators of the working groups of the PC-UPC:¹³

Judge *Christopher Floyd* (UK),

judge *Colin Birss* (UK),

the former judge Sir *Robin Jacob* (UK),

judge *Marina Tavassi* (IT),

judge *Klaus Grabinski* (DE),

judge *Marie Courboulay* (FR),

lawyer *Kevin Mooney* (UK), Simmons & Simmons LLP, London,

lawyer *Willem Hoyng* (NL), Hoyng ROKH Monegier, Amsterdam,

Ministry of Justice and the legal scrutiny of the UPCA and the draft legislation for its ratification, accessible at www.stjerna.de/bmjv-gg/?lang=en.

¹⁰ Cf. document “Teams and Working Groups of the Preparatory Committee”, accessible at bit.ly/2uZeQQY, p. 3 f.

¹¹ Cf. the “Organisational rules of the Preparatory Committee of the Unified Patent Court”, accessible at bit.ly/2G6WQpJ.

¹² Cf. the communication by the PC-UPC “Chairman invites new Expert Panel to advise Preparatory Committee” of 16/09/2014, accessible at bit.ly/3aob6YZ.

¹³ Fn. 12.

lawyer *Winfried Tilmann* (DE), Hogan Lovells, Düsseldorf,

lawyer *Pierre Véron* (FR), Véron & Associés, Paris,

patent attorney *Eugen Popp* (DE), Meissner Bolte & Partner, Munich,

patent attorney *Christof Keussen* (DE), Glawe Delfs Moll, Hamburg,

patent attorney *Patrice Vidon* (FR), Vidon Group, Paris,

patent attorney *Tim Frain* (UK), Director IP Regulatory, Legal and Intellectual Property, Nokia Corp., London,

patent attorney *Udo Meyer* (DE), Vice-President Global Intellectual Property, BASF SE, Ludwigshafen.

Mr *Frain* and Mr *Meyer*, are designated as “business representatives”; as explained above, there are no SME representatives on this or any other body of the PC-UPC.

3. The composition of the PC-UPC “expert teams”

It has already been described that there is no regulated selection procedure for either the “Expert Panel” or the other “expert teams” of the PC-UPC.¹⁴ At the request of the author of this article, the chairman of the PC-UPC, *Alexander Ramsay*, explained the composition of the “Expert Panel” as follows.¹⁵

“The participants have been suggested by the chair and the [working group] coordinators based on their skills, experience, representation, interest in the project and the need to achieve an appropriate geographical balance.”

Why this selection includes two representatives from major industry and several representatives from among their legal advisors, but no one from the ranks of SMEs, which, after all, are deemed to be the main beneficiaries of the European patent reform, is unclear. The position of the “Expert panel” in the discussion of the UPC Rules of Procedure (“RoP”) on issues relevant to SMEs is afterwards described in more detail.

III. The discussion of court fees and reimbursable representation costs by the PC-UPC

Based on the IFG, the author of this article requested access from the BMJV to several matters concerning the determination of court fees and reimbursable representation costs at the UPC in November 2017, including documents

- 656/2013 (“Proposal key elements (...) court fees and recoverable costs”),
- 533/2014 (“UPC SME support measures Discussion paper”),
- 733/2014 (“Expert Panel on Legal Aid”),

¹⁴ *Stjerna*, Expert teams (fn. 4), p. 3 ff., section III.

¹⁵ *Stjerna*, Expert teams (fn. 4), p. 3, section III. (r. col.).

- 22/2015 (“UPC court fees and recoverable costs assumption”), und
- 45/2015 (“Expert Panel comments on court fees consultation and assumptions”).

Initially, the BMJV only made the documents available in a partially redacted form. In substance, requests relating to the European patent reform are examined by BMJV Division B III 4, which leads to the strange situation that the head of the BMJV Division dealing with the European patent reform, *Johannes Karcher*, who is also the head of the working group “Legal Framework” of the PC-UPC, decides which correspondence and documents from his area of responsibility are made available to the public and to what extent. This could be one reason why documents have repeatedly been made accessible only with numerous, often highly doubtful redactions, so that access has had to be asserted in court repeatedly.

In the documents presently discussed, the vast majority of the names of all persons not belonging to the BMJV, including those of the members of the PC-UPC and the “Expert Panel”, were initially redacted, apparently in order to conceal the statements made. It is left to the reader to reflect on why this should be of interest to Mr *Karcher*, the BMJV and the persons concerned. The reason given for the redactions was the “protection of personal data”. However, the IFG stipulates that the names of the persons processing the matter in question are to be made available (see sec. 5(4) IFG), as well as those of external experts relied on (sec. 5(3) IFG). The members of all “expert teams” of the PC-UPC are undoubtedly such external experts, so that their names are to be disclosed. The BMJV ultimately complied.

Official information made available on the basis of the IFG is available for inspection by anyone; interested persons can access the documents at www.stjerna.de. The redacted versions originally provided by the BMJV are also made available to the public for illustrative purposes, so that the reader can form his own impression on the BMJV’s understanding of transparent governance. The grey redactions in the documents were made by the author and refer to the contact details of several officials.

The documents provide an insight into the discussions that the PC-UPC had with the “Expert Panel” on issues such as SME support measures or the court costs and reimbursable representation costs at the UPC. It is particularly noteworthy which comparatively modest amounts the PC-UPC originally envisaged for the reimbursable representation costs and which breathtaking increase they subsequently took after the “practitioners” of the “Expert Panel” were involved in the discussion. The amounts finally determined¹⁶ indicate that certain circles represented on the “Expert Panel” have been able to assert their ideas against competing views. This generosity towards their own financial interests is met by an astonishing reluctance to

¹⁶ Cf. the most recent version of the “Rules on Court fees and recoverable costs” of 16/06/2016, accessible at bit.ly/2udTnS5.

provide SMEs with effective instruments before the UPC. This may illustrate who this reform actually serves.

1. Document 656/2013 – “Proposal key elements (...) court fees and recoverable costs”

Document 656/2013 from August/September 2013 is interesting to begin with. In this document *Hubertus Schacht*, at that time seconded to the BMJV from the district of the Regional Court Munich I and predecessor of the repeatedly mentioned¹⁷ *Axel Jacobi* in BMJV Division III B 4, sent a paper to the members of subgroup 4¹⁸ – responsible for court fees –, proposing “core elements” of the court fees and reimbursable representation costs at the UPC. *Louise Petrelius* from the Swedish Ministry of Justice intervened against the proposed maximum amounts of reimbursable representation costs. She found them to be too low and saw that as an obstacle for SMEs:¹⁹

“I would just like to add that we have some concerns with the proposed ceilings for recoverable costs of representation. Based on experience from patent law cases in Swedish courts, they seem very low. (...) The proposed ceilings also seem unreasonable. For an SME with a strong case but with limited financial resources, the proposed ceilings may actually be an obstacle. In such a case, the economic burden for the costs of representation may be too heavy, which is not in line with the intentions of the patent reform.”

It is therefore seen as “unreasonable” and counterproductive to set the amounts of reimbursable cost of legal representation too low, as this might constitute a deterrent for SMEs with a promising case but limited resources. The consideration here seems to be that even with a promising case, an SME will refrain from pursuing its rights in court if it cannot obtain reimbursement of its representation costs to the fullest extent. On this basis, high reimbursement amounts are apparently understood as a kind of SME support. Conversely, however, the question arises as to how, in the case of a losing SME, the reimbursement of substantial costs can be prevented from jeopardising its economic existence. This will be discussed further below.

2. Document 533/2014 – “UPC SME support measures Discussion Paper”

In document 533/2014 from August 2014, *Tracey Webb* from the “UPC Taskforce” of the UK Intellectual Property Office comments on SMEs support measures before the UPC. In a “Discussion Paper” of 08/08/2014 she states:²⁰

“The fee team within the Financial Aspects Working Group agreed to consider the issue of support for SMEs in the context of the Declaration to the Agreement [Ann.: Ratsdokument 6572/13²¹] which states:

¹⁷ Cf. *Stjerna*, Dedication (fn. 9), p. 3 ff., section II.3.b).

¹⁸ Cf. document “Teams and Working Groups” (fn. 10), p. 3.

¹⁹ Document 656/2013, accessible at bit.ly/2VNsrpC, p. 1.

²⁰ Document 533/2014, accessible at bit.ly/2TDN44S, p. 3.

²¹ Council document 6572/13 of 19/02/2013, accessible at bit.ly/3cF5omW.

'The fee system should provide adequate and specific tools to ensure proper access for small and medium-sized enterprises, micro entities, natural persons, non profit organisations, universities and public research organisations to the UPC especially in relation to cases of high economic value.'

As part of these considerations the UK IPO sought suggestions from other providers of SME services and from potential users of the UPC. During these discussions some requested tools that go beyond the fee system in preference above reduced court fees. One reason given for this preference was that SMEs often try to avoid going to court if at all possible though it is often the only way to defend their IP rights. This paper therefore includes policy options for discussion that go further than the fee remit. Some of these options have the added benefit of reaching others as well as SMEs; many also have the advantage of having minimal or no adverse impact on the budget of the UPC."

It is therefore considered beneficial if measures to support SMEs also reach "others". However, to what extent do such measures then still serve the specific support of SMEs, which is mainly for structural reasons? Furthermore, it is emphasized that many of the proposed measures would have *"the advantage of having only minimal or no negative effects on the budget of the UPC"*. Thus, the PC-UPC seems to have been mainly interested in instruments which are cost-neutral but which can be presented to the public as such for the support of SMEs. One can imagine how effective such cost-neutral measures will usually be in practice. Accordingly, the corresponding *"Discussion Paper"* suggests, for example, free assistance on how to bring a case to the UPC (with the note: *"Preferred over reduced fees"*) or the support or encouragement of mediation and arbitration in order to achieve an early settlement, as this would meet the wish of SMEs to avoid legal proceedings.²² While the creation of the UPC is said to be intended to facilitate the enforcement of patents by SMEs in particular, they are then encouraged not to use the court and to rather settle their case. These remarks from the ranks of the PC-UPC show that the supposedly central motivation of the European patent reform, the promotion of SMEs, does in reality play no role at all.

3. Document 733/2014 – "Expert Panel on Legal Aid"

Document 733/2014, an e-mail from *Johannes Gerds* of the BMJV's RA2 Division (competence: civil proceedings and labour court proceedings) to Team 3²³ of the "Legal Framework" working group from October 2014, is also worth noting. In it, he refers to *"some critical points"* in the draft text of the PC-UPC on UPC legal aid, which the "Expert Panel" had pointed out at a meeting in London.²⁴

The draft text attached to this message contains a reference to an "Expert Panel" note on the amount of legal aid, which reads as follows:²⁵

"The Expert Panel advised to delete the references to the costs of representation in the applicants [sic] member state and give the Administrative Committee the power to define thresholds below the maximum recoverable costs. They emphasized that legal aid should not cover the maximum costs for the best representation possible but only the necessary costs of effective representation."

If one takes up this idea from the "Expert Panel", according to which the amount of legal aid should be lower than the "normally" reimbursable costs of legal representation before the UPC, because in the context of legal aid only *"the necessary costs of effective representation"* should be eligible for reimbursement, this flatly indicates that the maximum amounts of the reimbursable representation costs are too high, since they obviously represent the "maximum costs of the best possible representation". There is no legitimate reason why the losing of a case should have to reimburse the winner not only for the necessary costs of representation, but for the costs of the best possible representation. A cost regulation which allows for a reimbursement obligation beyond the necessary costs of effective representation would be a disproportionate burden on the reimbursement debtor and would also have a discriminatory effect with regard to the propagated lower reimbursement claim of those entitled to legal aid, thus once again raising constitutional issues. The criterion for the reimbursement of legal representation costs can only ever be the necessary costs of effective representation, uniformly for all parties including those entitled to legal aid.

The comment of the "Expert Panel" was included verbatim in the (currently) final version of the RoP²⁶, where Rule 376A(2) RoP provides that the Administrative Committee of the UPC may reduce the amount available for representation costs under legal aid below those applicable in the reimbursement of representation costs.

4. Document 22/2015 – "UPC court fees and recoverable costs assumptions"

Document 22/2015 was already discussed in an earlier contribution²⁷, but was only available in partially redacted form at that time. As suspected there, it contains several e-mails from the UPC Secretariat to the "Expert Panel", including one which apparently gave them the first opportunity to comment on the drafts of the PC-UPC as to the UPC court fees and the reimbursable costs of legal representation. This is particularly interesting in that it shows the assumptions and considerations of the PC-UPC before

²² Document 533/2014 (fn. 20), p. 4.

²³ Cf. document "Teams and Working Groups" (fn. 10), p. 3.

²⁴ Document 733/2014, accessible at bit.ly/2PQVgNX, p. 1.

²⁵ Document 733/2014 (fn. 24), p. 2.

²⁶ 18th Draft of the UPC Rules of Procedure, version of 15/03/2017, accessible at bit.ly/2FpTHUj.

²⁷ *Stjerna*, Dedication (fn. 9), p. 2 f., section II.3.a).

the “Expert Panel” was involved, thus allowing a comparison of the initial situation with the current one.

a) Costs of legal representation

Initially, the maximum levels of reimbursable representation costs proposed by the PC-UPC are of interest:²⁸ In proceedings with a value in dispute of up to EUR 500,000 up to EUR 100,000 in representation costs should be reimbursable per instance and party, up to EUR 250,000 for a value in dispute between EUR 500,000 and EUR 4,000,000, and up to EUR 500,000 for a value in dispute of more than EUR 4,000,000. As is well known,²⁹ this three-step model ultimately became one with eleven steps and a reimbursement amount of up to EUR 4,000,000 per instance, now independent of the number of parties and asserted patents – whereby additional parties and patents in suit, however, increase the amount in dispute thus leading to higher reimbursable representation costs.³⁰

b) Support of SMEs

Once again astonishing are the comments of the PC-UPC on support measures for SMEs. After a reference to Art. 36(3) UPCA, according to which the court fees should allow fair access to the court, especially for SMEs, and specific support measures may be provided for them, and to the “Declaration to the Agreement”, according to which the UPC fee system should “*provide adequate and specific tools to ensure proper access for small and medium-sized enterprises, micro entities, natural persons, nonprofit organisations, universities and public research organisations to the UPC especially in relation to cases of high economic value*”,³¹ it is explained how the PC-UPC intends to implement these requirements. The respective attitude is once again surprising (emphasis added):³²

“Any support measures need to be looked at from a legal and financial angle. A differentiation of Court fees according to nature and size of a party may raise legal questions about the principle of equality of arms of parties before a court. Financially, such differentiation of fees for one group would have to be compensated by higher fees for other users. The resulting additional administration would also drive up associated costs and therefore increase the amount that needs to be recouped in order to deliver a self-sustaining Court by the end of the transition period. For these reasons, amongst others, we have not provided distinct fee reductions for SMEs or others, but instead created an accessible fee structure for all that balances fair access to justice with the need for a sustainable court.”

The fee levels suggested are the lowest that will enable sustainability of the Court. In addition, a number of measures will be provided that, whilst available to all, are understood to be generally preferred by SMEs and the other entities listed above. These include Legal Aid for natural persons under the Agreement, rebates for early settlement (...), for withdrawal (...), for use of a single judge (...) and a rebate/reduction, where the amount of Court fees threatens a party’s economic existence (...) and detailed guidance on how to use the Court.”

In plain language: The “specific instruments” for the promotion and support of SMEs provided for in the UPCA and the aforementioned Declaration do not exist, because they would have to be counter-financed by higher fees for other users of the court. Instead, the court fees are reduced to a uniform level for all users. Surprisingly, a fee reduction for SMEs is apparently seen as discrimination against financially stronger players and thus as a legal risk. That the principle of non-discrimination only requires equal legal treatment of the same facts, while the financial capacity of SMEs and large international companies is by its very nature not the same in this sense, so that the legal treatment of both can be different, should be obvious to anyone with an at least average legal education. The fact that more powerful operators subsidise less powerful ones is a basic element of any social market economy and appears there in many different forms. All this is apparently unknown in the PC-UPC.

It seems downright ridiculous to sell legal aid limited to natural persons (and thus already excluded for all SMEs constituted as legal persons) or discounts on court fees for an early settlement or withdrawal of an action, which are moreover available to all parties at the UPC, as “*particularly preferred measures*” by SMEs. This has nothing to do with the politically promised empowerment of SMEs to act on an equal footing with financially stronger competitors before the UPC. Contrary to all political declarations of intent, all users of the UPC are ultimately treated equal, which puts SMEs in a subordinate position, as their financial possibilities are not those of large companies.

The drafts by the PC-UPC were sent to the “Expert Panel” by e-mail on 21/01/2015.³³

In the (currently) final version of the RoP³⁴, small and micro enterprises were granted a 40 percent discount on court fees (Rule 370(8)). In addition, however, the UPC was authorised to revoke a discount and even to order a penalty surcharge of 50 percent if the information on the status as entitled party is wholly or partly incorrect (Rule 370(8)(d)).³⁵

²⁸ Document 22/2015, accessible at bit.ly/2TCHM9L, p. 22.

²⁹ “Draft Decision of the Administrative Committee of the Unified Patent Court on the scale of recoverable cost ceilings” of 16/06/2016, accessible at bit.ly/2udTnS5, p. 4 (“Scale of ceilings for recoverable costs”).

³⁰ Cf. *Stjerna*, Dedication (fn. 9), p. 4, section II.3.b)bb).

³¹ Council document 6572/13 (fn. 21), p. 4, section VIII.

³² Document 22/2015 (fn. 28), p. 24 f.

³³ Document 31/2015, accessible at bit.ly/2VOGxqy, p. 1/2.

³⁴ Fn. 26.

³⁵ Also cf. *Stjerna*, SMEs (fn. 2), p. 6 f., section V.2.d)aa).

5. Document 45/2015 – “Expert Panel comments on court fees consultation and assumptions”

The comments of the members of the “Expert Panel” on the drafts contained in document 22/2015 were collected and distributed by e-mail to members of the PC-UPC on 28/01/2015, before they were later discussed on the phone. Correspondence to this effect is contained in document 45/2015. The statements made by some members of the “Expert Panel”, in particular from the legal profession and major industry, speak for themselves. They clearly show that these persons are by no means concerned with finding balanced solutions for all parties before the court, but that primary importance has what serves their own interests.

a) Court fee for a counterclaim for the invalidity of the asserted patent

A good example is the discussion on the court fees for a counterclaim for revocation of an asserted patent and the question of whether also a value-based fee should be charged here, in addition to a fixed fee. It is particularly worth reading the comments by Prof. *Tilmann*, lawyer at the Hogan Lovells firm in Düsseldorf, and his reasoning why – in his opinion and without any legal basis whatsoever – a value-based fee of 75 percent should apply and the revocation claimant be granted a discount of 25 percent for his “promotion of the public interest in the elimination of unenforceable patents”.³⁶ The question immediately arises whether such a “discount” would not then have to be granted equally to every other nullity claimant due to the principle of non-discrimination, but it is well known that constitutional law generally plays a rather subordinate role in the considerations of these people.

Also noteworthy is the approval by *Udo Meyer*, Vice-President Global Intellectual Property at BASF SE. He remarked:³⁷

“Winfried Tilmann has given good reasons why there should be a fixed fee and a value based fee for the counterclaim for revocation. In addition I would argue that a mere fixed fee opens up the door to use the counterclaim in each infringement case as a standard reaction. With the discussed set of fees this would be avoided because of the cost risk.”

Why the defendant sued from a patent should not be able to attack the legal validity of that patent by default – not only in Germany the regular reaction of a defendant – and why this should be made more difficult for him by an additional “cost risk”, remains Mr *Meyer*’s secret. In particular, this serves the position of those attacking from patents with a weak validity.

According to the (currently) final version of the RoP³⁸, a counterclaim for invalidity of the asserted patent is subject to a fixed fee and a value-based fee (cf. Rule 370(4)(b)).

³⁶ Document 45/2015, accessible at bit.ly/2Trf5NS, p. 13 f.

³⁷ Document 45/2015 (fn. 36), p. 12, final para.

³⁸ Fn. 26.

b) “Opt-out” fee

Likewise interesting are the views of the “Expert Panel” on the originally proposed fee for opting out of the UPCA competence (see Art. 83(3) UPCA).³⁹ As this fee was finally abandoned, this will not be discussed further here.

c) Reimbursement of court fees

It is also enlightening to note the comments made by some members of the “Expert Panel” on the circumstances in which reimbursement of court fees is granted, e.g. when the case is heard by a single judge or where the claim is withdrawn.⁴⁰

The most radical proposal again comes from Mr *Tilmann*: No reimbursement and deletion of the corresponding rule. His reasoning (emphasis in the original):⁴¹

“The three arguments for Reimbursing are: (1) There could be lower costs for the Court, if the action stops before the final judgment. (2) The parties should participate in this saving of costs. (3) Reimbursement could be a motivation for the parties to end the court-action prematurely saving the Court time for other cases.

Arguments (1) and (2) show a noble intention of the state-employed authors and, therefore, are laudable. However, looking at the causes for the costs of the Court (salaries, rent of buildings, IT) the savings, if any, never would justify reductions between 25 and 65%. Perhaps they could justify 2-5%. The costs of the Court are mainly fixed costs, not variable costs. Therefore, sadly, these arguments must be discarded. This leaves argument (3): motivation.

The most important cause for a premature end of the case is a settlement found by the parties during the proceedings, perhaps with the help of the Court. In those settlements the parties normally decide on the costs, often splitting the costs between themselves. Any reimbursement, thus, would end up (divided) with both parties. It would [be] a negligible part of the value of the main obligations undertaken by the parties in the settlement. Therefore, the motivating-impact of the reimbursement for reaching a settlement would be minimal. The reimbursement would be a ‚windfall-profit‘.”

Consequently, if a case is dealt with and decided by only one judge instead of three, or if the proceedings are terminated as a result of a withdrawal of the action, this view is that, despite the considerably reduced use of court resources, 95 to 98 percent of the court fee charged for on an instance-concluding decision by a chamber of three judges should still be incurred. The assumption underlying this radical-economic approach seems to be that the financing of the court should predominantly come from the court fees and that state subsidies should be as low as possible.

³⁹ Document 45/2015 (fn. 36), p. 14 ff.

⁴⁰ On the reimbursement constellations cf. document 31/2015 (fn. 33), p. 5 f.

⁴¹ Document 45/2015 (fn. 36), p. 27 f.

This, however, ignores the fact that the UPC is a public court which serves the administration of justice and thus a public task. Such seemingly extreme regulatory ideas once again reveal a mindset that is hardly suited to finding balanced solutions for all users of the court.

According to the (currently) final version of the RoP⁴², both the fixed fee and the value-based fee are to be refunded if the proceedings are decided by a single judge or if the action is withdrawn or if the proceedings are terminated as a result of a settlement (cf. Rule 370(9)). However, the court may refuse a refund or reduce the amount of the refund “in exceptional cases” (Rule 370(9)(e)).

d) Reduction of court fees in case of threatened economic existence

Rule 370(8) RoP initially defined the conditions for a reduction of court fees if the economic existence of a party is threatened.⁴³ Again, remarkable ideas on this question were put forward from the ranks of the “Expert Panel”.

The former judge *Robin Jacob* remarked:⁴⁴

“I am in favour of this, though the present proposed wording of the rule is inadequate. A company may have little money and be unable to fund the fee from its own resources. Yet its owners may have plenty of cash. The wording should limit fee reduction to companies with little cash of their own and its investors who also have little cash.”

Based on this idea, the question of whether a party’s existence is threatened is not to be determined with regard to that party alone, but should include third parties, e.g. investors. Where the party is a legal entity – which is usually the case – it is not clear what legal basis there is for this suggestion. In any case, this once again expresses a fundamental skepticism towards any financial support of parties before the UPC. Again, this mainly affects those with meagre financial resources, i.e. SMEs, which are supposed to be the big beneficiaries of the UPC.

A similarly radical approach was advanced by Mr *Tilmann*, who called for the entire deletion also of this provision. He stated (emphasis in the original):⁴⁵

“The Agreement has decided to permit an exit from the Court-fee-system and from the obligation to carry the fees (carry them in advance and after the end of the proceedings) only in the form of Legal Aid (Art. 70 UPCA) for natural persons. The UPCA has not additionally adopted the form of a split value of the case for the benefit of one of the parties which is not a natural party (e.g. § 144 German PatentG), a rule which had also been contemplated when drafting the UPCA. Already for this reason, the RoP, bound by the Agreement (Art. 41(1), second sentence, UPCA), are not al-

lowed to introduce a system of a case-by-case rebate (equivalent to the split value benefit).

(...)

Since the requirements of Rule 370.7 are much wider than those for Legal Aid, they discriminate against natural persons who cannot take advantage of Rule 370.7. Therefore, Rule 370.7 is in conflict with Art. 41(3), 42(2) and 52(1), second sentence, UPCA.

To state it frankly: Rule 370.7 is trying to circumvent the restriction of Legal Aid to natural persons. This is clear from the fact that it is restricted to other persons than natural persons. Therefore, Rule 370.7 constitutes a breach of the obligation contained in Art. 41(1), second sentence, UPCA.”

Contrary to the alleged political core motivation of the European patent reform to promote and support SMEs, some gentlemen in the “Expert Panel” seem to be primarily concerned with avoiding such under all circumstances. The transpicuous argument of the alleged “discrimination of natural persons” speaks for itself. Of course, Mr *Tilmann* knows that natural persons will only rarely appear before the UPC – as has been the case so far in patent law disputes – and, if they do so exceptionally, they usually do not need financial support.⁴⁶ He only superficially vaunts himself as the defender of their interests in order to achieve the exclusion of a reduction of court fees for legal entities. He seems to strive for the equal treatment of SMEs and large international companies as far as possible, which ultimately paves the way for the dominance of the financially strongest players before the UPC. It has already been pointed out that under the UPCA legal aid is available only to natural persons, excluding legal entities.⁴⁷ In its study on the utilisation and financing of the UPC in 2011, the EU Commission was pleased to note:⁴⁸

“In practice, patent litigation almost always involves companies, and very few cases involve natural persons. It is therefore safe to assume that legal aid will not constitute a significant cost factor for the UPC.”

They were well aware that the planned UPC legal aid scheme was a mere chimera which pretended to take into account the interests of weaker parties, while in reality having a very limited application. It had also been noted that the exclusion of legal aid for legal entities violates European law, according to which the right to effective legal protection under Art. 47(3) of the EU Charter of Fundamental Rights requires the granting of legal aid also to legal entities.⁴⁹ The PC-UPC had attempted to correct

⁴² Fn. 26.

⁴³ Cf. document 31/2015 (fn. 33), p. 6.

⁴⁴ Document 45/2015 (fn. 36), p. 30, second para.

⁴⁵ Document 45/2015 (fn. 36), p. 30 f.

⁴⁶ *Stjerna*, SMEs (fn. 2), p. 7, Ziffer V.2.e).

⁴⁷ *Stjerna*, SMEs (fn. 2), p. 7, Ziffer V.2.e).

⁴⁸ Study “Preliminary Findings of DG Internal Market and Services Study on the Caseload and financing of the Unified Patent Court” of 07/11/2011, accessible at bit.ly/3au1YSz, p. 102.

⁴⁹ CJEU, matter C-279/09, judgment of 22/12/2010 – DEB, accessible at bit.ly/3u7WdTx.

the problem by secretly amending the RoP, which most likely was a futile exercise.⁵⁰

Not surprisingly, Mr *Tilmann*'s views were again supported by *Udo Meyer*, one of the two representatives of major industry on the "Expert Panel", which has every interest in keeping the financially weak just that.⁵¹

"I agree to the proposal not to distinguish between SMEs and other parties concerning the fees. An assessment by the court whether or not the status as SME is justified would be most difficult if possible at all. As there are no sanctions against misuse there is a certain probability that the non-SME parties will subsidize parties wrongly declaring their SME status."

A representative of major industry fears that, if the court fees for SMEs in need are reduced, it will be necessary to subsidise those of these companies that "wrongly" (?) claim SME status. In order to avoid this, the fee reduction should be abolished altogether.

In the (currently) final version of the RoP⁵², the court is authorised to refund, upon request, the fixed fee and the value-based fee in whole or in part, if charging the full amount would threaten the economic existence of that party and if it is not a natural person (see Rule 370(10)).

IV. Outlook

It is worth remembering the big words with which the European patent reform was praised before the final vote in the EU Parliament on 11.12.2012.

Klaus-Heiner Lehne, then rapporteur on the UPCA (EPP group), said:⁵³

"I believe that, indeed, this is an enormous step forward for small and medium-sized enterprises. (...) [With the new patent system] for the first time, equality of arms is created between large companies and small ones. And for me, this is a definitive example of why what we are going to approve today is a major step ahead for the SMEs (...)."

Bernhard Rapkay, then rapporteur on the "unitary patent" Regulation (S&D group), loudly warned:⁵⁴

"I tell you: Those voting against the patent package today are playing the game of large corporations. They are playing the game of large corporations against the SMEs, there can be no doubt about this!"

Critical voices that predicted⁵⁵ that the reform would strengthen the strong and weaken the weak were dismissed

as "nonsense"⁵⁶. Some eight years later, it is becoming increasingly clear what the project of European patent reform really serves, and for whom. It is major industry and the circle of its legal advisors who – with the active support of politicians – are able to assert their interests down to regulatory details in a virtuoso manner. The course to make this possible has already been set in the European legislative proceedings. Why, for example, did neither the two Regulations on unitary patent protection nor the UPCA contain concrete specifications for determining costs and promoting SMEs?⁵⁷

After the legislative process was completed, "advisory bodies" were set up without a regulated selection procedure for their members, so that they were repeatedly staffed especially with representatives of major industry and their legal advisers. Members who could have represented the interests of SMEs were consistently dispensed with, which demonstrates the real importance of these interests. The "Expert Panel" in particular functions as a forum that enables major industry to incorporate their ideas directly into the respective procedural rules and to shape the procedural law of the court in line with their interests and needs. SMEs, on the other hand, have no voice and have to be satisfied with what the protagonists there have in mind for them. As it turns out, this is not much; no practically effective measures to support SMEs were adopted.

The structural inferiority of SMEs, which was so loudly deplored in the European legislative process, is not reduced by the European patent reform, but rather perpetuated. The answer to the question as to who benefits from this probably also designates those who have orchestrated it, hand in hand with politics.

* * *

For possibilities to support my work on the European patent reform please visit www.stjerna.de/contact/?lang=en. Many thanks!

⁵⁰ Cf. *Stjerna*, The European Patent Reform – Silent correction attempts, accessible at www.stjerna.de/legaid/?lang=en, p. 2 f., section III.

⁵¹ Document 45/2015 (fn. 36), p. 31, second para.

⁵² Fn. 26.

⁵³ *Stjerna*, The Parliamentary History of the European "Unitary Patent" (Tredition 2016), ISBN 978-3-7345-1742-6, paras. 1413, 1415, cf. bit.ly/3oGov6f.

⁵⁴ *Stjerna*, Parliamentary History (fn. 53), para. 1433.

⁵⁵ Cf. for instance the comments by MEPs *Lichtenberger* and *López Istúriz-White* in *Stjerna*, Parliamentary History (fn. 53), paras. 1322, 1341.

⁵⁶ Cf. for instance the statements by MEPs *Lehne* and *Rapkay* in Parliamentary History (fn. 53), paras. 1415, 1429.

⁵⁷ *Stjerna*, SMEs (fn. 2), p. 3 f., section IV.2.